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**Fall**

**Vancouver Distillery Works LLC**

GM600 Business Plan for Professor Hootman April 2011

Composed by TMNT Small Business Advisors

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1. **Executive Summary**

**Elevator Pitch**

Vancouver Distillery Works, LLC is a craft distillery producing premium vodka. Vodka, their flagship spirit, has a number of attractive characteristics that makes it desirable in today’s market. Vodka is popular with in young professionals who enjoy the drinks versatility. Vodka is a drink that can be enjoyed in shots, tall drinks, martinis and mixed with juices.

Vancouver Distillery Works is choosing to tap into the growing sophistication of the American pallet. Vancouver Distillery Works believes that the consumer is looking for a greater challenge in their drink and that the consumer believes that a product in the $25 to $35 dollar range will give them that challenge.

**Overview**

Before it meets the bottle, it’s born of water and grain. The distilling of alcoholic spirits is big business and as a distiller we need only know one thing, what’s your pleasure? People pine the colors, swirl the glass inhale the bouquet, sip and then ponder the flavors. We are not talking about wine admirers, these are vodka aficionados.

Vodka dominates the spirits industry, accounting for 28% of all volumes. In 2007, 51.2 million 9-liter cases of vodka were sold in the United States, generating over $4 billion in revenue for distillers. Reflecting American’s desire to drink better, Super-Premium brands drove growth – increasing around 38% in volume. Over the past few years distillers have an array of flavored vodkas. Today, the public can enjoy vodkas that have been infused with natural spices, refreshing citrus flavors, raspberry, vanilla and others. Flavored vodkas now account for almost 14% of all vodkas sold.

This highly mixable beverage is found in such famous drinks as vodka Martinis and the ever-popular Screwdriver. In addition, many of the newer Premium and Super-Premium brands are ideal when sipped slowly “on the rocks” (over ice) or “neat” (straight).

Source: Distilled Spirits Council, Economic & Strategic Analysis Dept.

Vodka's neutral flavor makes it ideal for mixed drinks - and it is the most popular and most often used alcohol in almost any bartender's arsenal. Because of Vodka’s inert flavor, vodkas and vodka drinks inherit the character of what they are mixed with and are extremely varied in character and flavor.

Because of its chameleonic nature, Vodka comes in an amazing variety of flavors, and having the flavors imparted to the alcohol itself may make for a more complex and enjoyable drink. It is common to use these flavored vodkas to complement the mixers that are used, but it is often quite pleasant to mix flavored vodka with plain soda water and a simple sweetener.

**Industry Definition**

This industry purchases ingredients such as grapes, wheat, grains, sugar and malt, which are fermented and distilled to produce spirit beverages including vodka, gin, whisky and liqueurs; industry participants also blend spirits. Operators buy glass bottles and paperboard containers to package these products. The spirits are then sold to alcoholic drink wholesalers and retailers. While the industry makes fortified spirits, it does not produce fortified wines.

**A Craft Distillery**

A craft distillery is basically a small output distillery whose operation is considerably different from large production distilleries. Although there are no current precise legal definitions of what defines a craft distillery, most states recognize this as a distillery which produces 60,000 gallons or less annually. Many craft distillers are incredibly small and informal operations. Some distilleries call on the help of part-time workers to label bottles, while in other operations the distiller might have to drive the truck with his ingredients from his or her suppliers. Most relay on the Internet, word of mouth, and tastings, competitions, and product reviews to get the word on their product out.  
  
In general, craft distilleries tend to focus on small production runs of high quality spirits. They also tend to create unique spirits or spirits that occupy niche places in the market that larger conglomerates avoid. Craft distilleries also tend to take more chances in terms of their production, experimenting and challenging boundaries and classifications in the spirit world. Most craft distilleries utilize small pot stills or hybrid stills, while some have the option of using double column continuous stills.  
  
Many smaller operations, especially those that are starting up, stick with fruit spirits, gin, vodka, rum, and such because the ingredients are readily available and many of these spirits do not require extended aging like whiskies do. If they do distill whiskies, the whisky traditionally only appears after a few years, when the minimum aging requirements are met. Due to the small output of many craft distilleries as well as variations in liquor laws, many craft distilleries have distribution limited to only a few local states or small regions.

1. **Business Description**

**Mission Statement**

Vancouver Distillery Works was founded on three core values: Honor, Integrity, Continually Seeking a better Spirit. These core values are the foundation for every decision we make from creating our vodkas; to hiring energetic Team Members and even in choosing which ingredients we use.

Vancouver Distillery Works is driven by uncompromising quality and our ongoing efforts to bring our customers the best Micro-distilled Vodkas in the Northwest or anywhere. Our core values and unbridled atmosphere is at the heart of the company’s energizing culture and its shows through our vodkas and team members.

**Value Statement**

For consumers who value consistent quality and a good value, and are seeking the simple pleasure of a smooth and warming drink, Vancouver Distillery Works offers a variety of great-tasting vodkas at an everyday fair price, and delivers a moment of pure satisfaction each and every time you unwind with a glass.

**Vision Statement**

Within the next five years, Vancouver Distillery Works wants to be “***her****”* Northwest’s Vodka. Through all of our products, services and relationships, we will add to life’s enjoyment.

**Company Summary**

The founder of Vancouver Distillery Works is John Bennett. John has been and continues to be a serial Entrepreneur with a diverse history of building companies in Healthcare, Real Estate and Construction. Mr. Bennett first came to the idea of a Wine Vodka back in 2006 while experimenting with the distillation of Pinot Noir and Pinot Gris.

John and his family; along with the Vancouver Distillery Works’ team members will invest both time and money into the business. The combination of these funds provide Vancouver Distillery Works only part of the capital needed for research, start-up costs, and to support the firm.

Vancouver Distillery Works has strict standards that we believe will have us counted as one of the best in the distillery business, and our suppliers are checked regularly to make sure they are meeting or exceeding our high standards of quality.

In order to become “Her” Northwest Vodka, Vancouver Distillery Works will focus on a female’s interest in vodka. Vancouver Distillery Works believes that it's not about going pink, but rather, getting to the heart of how women feel about our product and translating that knowledge into influence. The bottle label will have the company’s website which will have links to woman’s issues. Also on the label will be easy vodka drink recipes, drink and dish suggestions and uses. Vancouver Distillery Works will connect will our target consumer by marketing our product as an ingredient in the kitchen as well as being a superior smooth spirit.

**Future Plan**

At the end of year one, if the concern that we are not meeting or realizing any of our sales projections occurs, additional research will be conducted to challenge our current assumptions. This can include both looking into changing or refocusing our current target market, as well as, possibly relocation of our distillery to a better market. Within the first year Vancouver Distillery Works will attend and host sponsored events and contests that will be focused on gaining interest in Vancouver Distillery Works and to further test the business’ growth potential.

The financial strategy of Vancouver Distillery Works focuses on long-term, sustainable growth and return of investments, rather then generating quick, short-term profits. In order to remain cash solvent, the founding partners are prepared to not accept payment until a working capital is created to ensure the company’s future.

1. **Industry Analysis**

**Industry Review**

Although the distilled spirits industry is highly competitive, growing interest in premium high quality vodkas continue to grow. It is Vancouver Distillery Works’ belief that a neighborhood tavern that supplies its customers with a friendly atmosphere to get together, while providing quality drinks can succeed by creating a unique experience from that of its competitors. In order to do this, those locations are becoming a part of the growing trend in which Vancouver Distillery Works see’s itself supplying premium vodka that their customers are looking for.

Vodka dominates the spirits industry, accounting for 28% of all volumes. In 2007, 51.2 million 9-liter cases of vodka were sold in the United States, generating over $4 billion in revenue for distillers. Reflecting American’s desire to drink better, Super-Premium brands drove growth – increasing around 38% in volume. Over the past few years’ distillers have delivered an array of flavored vodkas. Today, the public can enjoy vodkas that have been infused with natural spices, refreshing citrus flavors, raspberry, vanilla and others. Flavored vodkas now account for almost 14% of all vodkas sold.

*Source: Distilled Spirits Council, Economic & Strategic Analysis Dept.*

**Types of Alcohol**

Craft distilleries may distill so-called neutral spirits (vodka or grain alcohol), rum, brandy, cordial, whiskey or liqueur. They may also produce spirits by infusion through redistillation. Craft distillers may start with already distilled neutral spirits as long as they alter the neutrality of the spirits in the process.

**Permits and Licenses**

Under the Alcohol and Tobacco Tax and Trade Bureau's regulations, craft distilleries fall into the category of "beverage," as opposed to "industrial." Such distilleries are defined as those involved in the production, bottling, processing or storage of spirits suitable for consumption. Applicants must complete TTB F 5100.24, the basic permit established by the Federal Alcohol Administration Act. They also must notify the Food and Drug Administration of their intent to produce alcoholic

**Taxes**

Operators of craft distilleries are required to pay the federal distilled spirits excise tax. Fourteen states -- Arizona, California, Connecticut, Hawaii, Kansas, Massachusetts, Maryland, Minnesota, Nevada, New Mexico, New York, Oregon, Vermont and Washington -- as well as the District of Columbia also have their own distilled spirits taxes.

**State Laws**

States are granted powers under the 21st Amendment with authority to regulate the production and sale of alcoholic beverages. Eighteen of the states are so-called "control" states, which maintain various degrees of direct control over the manufacturing and distribution of alcohol -- the most strict of which limit the sale of alcohol to state-run stores. In the other 32 states, producers of distilled spirits are allowed to sell directly to their customers or to wholesalers.

Source: Tan Vinh, <http://seattletimes.nwsource.com/html/outdoors/2008004461_nwwdistillers190.html>

**Regulation Review**

Production limits and other restrictions on craft distilleries are set to change following passage in the Washington House and Senate of an amendment to the Craft Distilleries License provisions of Title 66 of the RCW. For those familiar with the original bill enacted in 2008, these are welcome changes and hopefully only the beginning of the modernization of the regulation of spirits, as the artisan distillery industry emerges in Washington.

A brief summary of the changes ([SB 6485](http://apps.leg.wa.gov/documents/billdocs/2009-10/Pdf/Bills/Senate%20Passed%20Legislature/6485-S.PL.pdf)):

● increases production limits from 20,000 to 60,000 gallons of spirits per year;  
● allows distillers to sell spirits directly to other licensed distillers and manufactures, allowing cooperative arrangements between distillers;  
● permits distillery employees to serve their spirits directly to the public as part of a special occasion license;  
● changes the existing “grower’s license” to cover production and sale of spirits in addition to wine.

For those unfamiliar with the basics of the Craft Distillery law, some of the highlights include:

● all spirits must be produced with a minimum of 50% of Washington sourced raw materials (not including the water of course);  
● reduction of annual licensing fee from $2000 to $100;  
● allowing direct on-premise sales of up to 2 liters of spirits per consumer;  
● allowing on-premise sampling of spirits by consumers of up to two ounces, in half ounce portions.

Just in case you thought that the Board was going to give up too much control, don’t forget that any direct sales and samples must still be purchased from the Board at the retail price the Board establishes. Sensibly, however, you don’t have to transport the bottles to the distribution center in Seattle and then back to your distillery, but you do have to keep good records and make an accounting to the Board.

*Source. http://washingtonregulatorylaw.wordpress.com/2010/03/15/changes-to-craft-distillery-provisions/*

New rules are needed to implement Initiative 1183 that passed on November 8, 2011. The state of Washington changed from a controlled liquor system to a privatized liquor system. Some sections of the initiative become effective on December 8, 2011. New license types were created and emergency rules are needed to clarify the language in the new laws created in Initiative 1183. The mission of the Washington State Liquor Control Board (WSLCB) includes ensuring the responsible sale, and preventing the misuse of, alcohol.

*Source. WSLCB.* [*http://liq.wa.gov/publications/rules/OTS-4517%203final.pdf*](http://liq.wa.gov/publications/rules/OTS-4517%203final.pdf)

*See Appendix A for the Revised Code of Washington on Initiative 1183.*

**Risk Analysis**

Given that Vancouver Distillery Works is a new business venture and markets can change rapidly, there is risk involved. The success of the craft distillery is dependent upon the appeal to the indeed market. Further analysis, to include the revision of the competitive analysis, will be conduct after the first year. Strategies will be revised, at that time, as necessary to ensure viability. A start up venture is subject to risks and uncertainties that may cause actual results to differ materially, the risk and uncertainties inherent in the early stages of new company, the company's need to raise additional capital to proceed with its business, risks associated with competitors, and other risks.

**Demand for our spirits products may be adversely affected by many factors, including changes in consumer preferences and trends.**

Consumer preferences may shift due to a variety of factors including changes in demographic and social trends, public health initiatives, product innovations, and a downturn in economic conditions, which may reduce consumers’ willingness to purchase distilled spirits products or cause a shift in consumer preferences toward beer, wine or non-alcoholic beverages. Vancouver Distillery Works’ success depends in part on fulfilling available opportunities to meet consumer needs and anticipating changes in consumer preferences with successful new products and product innovations.

**Vancouver Distillery Works** **faces substantial competition in our industry and many factors may prevent us from competing successfully.**

Vancouver Distillery Works competes on the basis of product taste and quality, brand image, price, service and ability to innovate in response to consumer preferences. It is possible that our competitors may either respond to industry conditions or consumer trends more rapidly or effectively or resort to price competition to sustain market share, both of which could adversely affect our sales and profitability.

**Risks associated with commodity price volatility and energy availability could adversely affect our business.**

Vancouver Distillery Works is exposed to risks associated with commodity price volatility arising from supply conditions, geopolitical and economic variables, weather, and other unpredictable external factors. Vancouver Distillery Works buys commodities such as corn and other grains, molasses, grapes, glass and plastic for the production, packaging and distribution of our products.

Availability, increases and volatility in the prices of these commodities, as well as products sourced from third parties and energy used in making, distributing and transporting our products, could increase the manufacturing and distribution costs of our products.

**Changes in regulatory standards could adversely affect our business.**

Vancouver Distillery Works is subject to extensive regulatory requirements regarding distribution, production, labeling, and marketing. Changes to regulation of the beverage alcohol industry could include increased limitations on advertising and promotional activities or other non-tariff measures that could adversely impact our business.

In addition, Vancouver Distillery Works faces government regulations pertaining to the health and safety of our employees and our consumers as well as regulations addressing the impact of our business on the environment. Compliance with these health, safety and environmental regulations may require us to alter our manufacturing processes and our sourcing. Such actions could adversely impact our results of operations, cash flows and financial condition, and our inability to effectively and timely comply with such regulations could adversely impact our competitive position.

1. **Marketing Section**

**Product Concept**

Vodka is typically a colorless distilled beverage, composed primarily of water and ethanol with traces of impurities and flavorings. It is made by the distillation of fermented grains, such as corn, wheat, rye and even potatoes. Vancouver Distillery Works will initially offer vodka in two sizes, 750 ml and 375 ml, in bottles that are uniquely designed to appeal to its target market. Vancouver Distillery Works’ products will be “hand-crafted,” and locally produced by a family-based firm that is dedicated to providing the best craft distilled vodka and best service in the Northwest. Vodka is suitable for any occasion, goes with any food, and is overall more versatile than any other liquor. It is no wonder that in America, vodka outsells gin, rum, and tequila, as well as scotch, bourbon, and Canadian whiskey.

*NEED A Source*

**Evidence of Market Needed**

The 2011 Restaurant Industry Forecast posted on reports that total restaurant Industry Sales for 2011 will be $604 billion dollars. This industry sales amount is a 3.6% increase from the 2010 record.

*Source: National Restaurant Association:* [*http://www.restaurant.org/research/economy/rpi/*](http://www.restaurant.org/research/economy/rpi/)

**Target Market Analysis**

The target market of Vancouver Distillery Works is divided to two segments. The first segment is affluent women in the 35 to 65 year range. Need information on this target

The second segment will be establishments such as restaurants, pubs, bars and stores, which will in turn market our product as their house brand, with their own labels on the bottle. Need information on this target

Vancouver Distillery Works will be opened near Westfield Mall in Vancouver Washington and Mall 205 in Portland, Oregon. This location boast easy access from the freeway, it is near shopping centers as well as residential neighborhoods. The median income in this neighborhood is $47,900. Over 55 percent of the neighborhood is comprised of homeowners, 54.1 percent are between the ages of 22 and 65, and 61.6 percent are 1-2 person households.

*Source:* [*http://gis.clark.wa.gov/gishome/*](http://gis.clark.wa.gov/gishome/)

Vancouver Distillery Works hopes to promote the business primarily by word of mouth. Secondary means of advertising include signage, direct mail advertising to our target market which is households of adults over 25 with annual household income over $50,000. Vancouver Distillery Works also hopes to build our patron base by drawing in our neighborhood customers, getting name recognition, and building a reputation of having a great product and providing great service. Like our competition, we hope to budget between 2-3% of gross sales to the cost of advertising and marketing our company.

**Competitive Analysis**

It may be easy for a company to identify its competitors, but knowing the competitors is a much tougher task. With Vancouver Distillery Works, the main competitor is Clear Creek Distillery that has the maximum market share in the greater Vancouver/Portland area with $1.25 million in net sales last year. Need information on this (who are they targeting?)

*Source: Burningham, Lucy. http://www.oregonbusiness.com/articles/89-august-2010/3840-shaken-and-stirred?start=3*

**Porter five forces of competitive position**

According to Michael Porter five forces of competitive position model provides a simple perspective for assessing and analyzing the competitive strength and position of the company. The five forces are –

1. Existing competitive rivalry between suppliers
2. Threat of new market entrants
3. Bargaining power of buyers
4. Power of suppliers
5. Threat of substitute products (including technology change)

**Existing competitive rivalry between suppliers -** Industry competitors and extent of that rivalry. As the market for vodka’s has grown and drinking preferences of women has changed the competition for those consumers has increased. Many manufacturers are reducing margins to increase market share.

**Threat of new market entrants -** Smirnoff and Popov pose the most significant threat to Vancouver Distillery Works since they dominate the distilled spirit market. The entry of other craft distillery competitors in the Portland/Vancouver market could also decrease Vancouver Distillery Works target market share in the Northwest.  
  
**Bargaining power of buyers -** In today’s distilled spirit market consumers have many choices of vodka’s, ranging from value products to the more expensive premium brands. With this in mind, Vancouver Distillery Works will produce quality vodka that is just better and different from what is being produced by other manufacturers and new entrants.

**Power of suppliers -** Vancouver Distillery Works has a strong relationship with its suppliers that it will use to increase the company’s competitive edge over its competitors. The whole goods are also a very competitive industry and Vancouver Distillery Works will use the current climate to reduce its cost of goods sold.

**Threat of substitute products -** Substitutes refers to the many mass produced vodka’s on the selves today. The treat comes from the ever changing preferences of our customers which Vancouver Distillery Works plans on holding onto once captured through our varied product lines of quality vodka’s and our seasonal select vodka’s.

**Competitive Strategy**

There are three major ways in which Vancouver Distillery Works will create an advantage over our competitors:

* product identity, quality, and value
* high employee motivation and good sales attitude
* innovative and aggressive service options.

Vancouver Distillery Works will offer a friendly atmosphere with a strong sense of belonging for each of our customers to experience. Vancouver Distillery Works’ products are of high quality and prepared by professional experienced distilling masters to meet our customer’s desires and palates.

**Craft Distilleries**

A growing number of small craft distilleries are spread around Portland. Several are located in an industrial area in southeast Portland, known as Distillery Row, as well as by other nicknames. Clear Creek Distillery is in northwest Portland off U.S. Highway 30.

Outside of Kentucky, Oregon hosts one of the nation's most exciting craft distillery scenes. Family-owned Brandy Peak Distillery in Brookings makes spirits the old-fashioned way, from a wood-fired still. Beer empire McMenamins runs a distillery next to Edgefield Hotel in Troutdale, east of Portland. In southeast Portland, House Spirits Distillery can craft a barrel of whiskey tailored to your taste. Nearby, Integrity Spirits makes an absinthe.

Source: Tan Vinh, http://seattletimes.nwsource.com/html/outdoors/2008004461\_nwwdistillers190.html

**Market Segmentation**

The market for Vancouver Distillery Works covers a large area of densely populated and diverse groups. Vancouver Distillery Works is located in SE Vancouver, near Westgate Mall and Mall 205 in Portland. This location has easy access from the freeway, is near shopping centers as well as many neighborhood pubs. There also many offices, business, and local venues that attract citizens to the area. With so many citizens and businesses that attract citizens, Vancouver Distillery Works has an opportunity to attract a variety of customer to the business. *(Needs edited- has been stated above!!*

*(Needs edited- source info and is 4 years old) PORTLAND — You know folks in the southeastern part of this city reckon they are on to something big because the nickname game has commenced. Portland has a district called "Distillery Row."*

*The small craft distillery scene has hit Portland, reminiscent of the microbrewery boom two decades ago. Young microbrewers and winemakers are now distilling whiskey, brandy, grappa and even absinthe. And taking a page from Kentucky's iconic whiskey distillers, they are beginning to host tours and tastings. With 17 micro-distilleries in Oregon, and eight more startups expected across the state by year's end, spirits aficionados haven't seen anything like this in recent memory.*

*Washington may see a boom in the distillery industry thanks to the legislature's passage in March of a law allowing distilleries to host tasting rooms and sell spirits on their premises.*

*The change clears major barriers and allows micro-distilleries to operate almost like a winery or brewery. Previously, only the state could sell liquor, a holdover law from the end of Prohibition.*

*In July, Dry Fly Distilling in Spokane, the state's first distiller since Prohibition, will start offering tastings for its vodka, gin and, soon, whiskey.*

*Under the new law, distilleries can offer up to two ounces in tastings and sell each customer up to two liters per day. The annual distillery license fee dropped from $2,000 to $100, similar to Oregon's fee.*

Source: Tan Vinh, http://seattletimes.nwsource.com/html/outdoors/2008004461\_nwwdistillers190.html

**Market and Location of Customers**

The city of Vancouver has a population of 173,000 and is located the Southwest corner of Washington. The female population is 51.2 %. It is less than 15 minutes from the border of Portland Oregon, which makes that greater Vancouver area (within 20 miles of city center) population over 750,000

The city of Portland has a population of 537,000 and is located the Northwest corner of Oregon. The female population is 50.5 %. It is less than 15 minutes from the border of Vancouver, Washington, which makes that greater Portland area (within 20 miles of city center) population over 750,000. The total female population of the area is about is 384,000. UNUSABLE UNLESS WE GET A DISTRIBUTORS LICENSE- Unless you think they go to Washington to buy liquor?

*Source: US Census Bureau:. (http://quickfacts.census.gov/qfd/states/41/4159000.html).*

Colleges and Universities – There are over 5 major colleges in the greater Portland Area. They include: University of Portland, Portland State University, Portland Community College, Devry University, Clackamas Community College, Multnomah Bible College, and Warner Pacific University, and Lewis & Clark College.

Local businesses – According to the National Restaurant Association there are over 1875 restaurants within Multnomah County. According to the National Restaurant Association there are over 1398 restaurants within Clark County.

*Source: National Restaurant Association:* [*http://www.restaurant.org/research/economy/rpi/*](http://www.restaurant.org/research/economy/rpi/)

**Market Growth Potential**

According to the National Restaurant Association report released in September 2011, the menu price inflation rate for August 2011 has increased by 2% over the past year. Grocery store price inflation has risen in the past year by 4%. This means that consumers have a higher perceived value of dining at a restaurant versus purchasing groceries at a grocery store. The anticipated growth rate of those dining out in the next quarter is much higher this year as compared to last year. The economic downward spiral of 2008 has seemed to taper off, and may make a positive return in the upcoming years. This is excellent news for the restaurant industry as well as the distilled spirits industry as the rate of consumers dining and drinking out will increase. *Source: National Restaurant Association:* [*http://www.restaurant.org/research/economy/rpi/*](http://www.restaurant.org/research/economy/rpi/)

**Market Trends & the Future**

The estimated population of Portland has continued to increase annually by about 1.5-2% annually for the past 4 years. One of the most expanding growths in population is represented by those within our target market (age 25-65). Portland attracts those that are not homeowners, single, and non-parents. This also fits our target market.

*Source: US Census Bureau:* [*http://quickfacts.census.gov/qfd/states/41/4159000.html*](http://quickfacts.census.gov/qfd/states/41/4159000.html)

Washington's new craft-distillery license, which became available last summer, has led to a burgeoning of new distilleries. Some differences between the craft and regular distillery licenses that are available\*:

**Annual license fee:** $100 for craft distillery ($2,000 for a regular distillery).

**Tasting rooms:** Up to 2 ounces per customer (craft) and not available (regular).

**On-site sales:** Up to 9 ounces per customer (craft) and not available (regular).

**Ingredients:** At least 51 percent from Washington (craft) and no local restrictions (regular).

**Volume limit:** Up to 20,000 gallons a year (craft) and no limit (regular).

\* This information doesn't include several "fruit and wine" distilleries, which are wineries that make fruit brandy and wine with alcohol content above 24 percent.

*Source: Washington State Liquor Control Board*

**Value Proposition**

**Competitive Edge**

The goal is to provide an ensuring product quality which is locally hand-crafted to meet the local taste, assurance of supply and full transparency/communication along the way and branded-premium price. Vancouver Distillery Works is dedicated to produce a product that is best suited to the local market through continuous research on the demand and collection of feedbacks from the buyers. The product bottle is designed in a state of art bottle, alluring to attract high-class (female) market. It is premium-priced reasonable enough to cover the all the costs associated in the production of the product, and reasonable margin in order to maintain the continuous development and improvement of the business to better serve the market, and most of all, it is premium-priced for its taste and packaging best-suited to the target market.

**Marketing Strategy**

Vancouver Distillery Works believes that it will have to engage in a battle for the minds of its target consumers and that this is a [battle of perceptions](http://www.1000ventures.com/business_guide/marketing_22laws.html#Perception) not products. Vancouver Distillery Works will use a mix of a segmentation strategy and competitive strategy

To communicating the unique experience that Vancouver Distillery Works will offer, a mix of marketing methods will be used to promote the business’ image, offerings, and uniqueness.

* Print media -- local newspapers, magazines and local publications
* Broadcast media -- local programming and special interest shows
* Internet—interactive web site, social media and internet listings
* Misc. -- yellow pages, trade show, local and charity events

The marketing effort will be split into 3 phases:

1. Opening -- An advanced notice (press packet) sent out by the PR firm to all media and printed announcement ads in key places. Budget - $5,000
2. Ongoing -- A flexible campaign (using the above media), assessed regularly for effectiveness. Budget - $7,000
3. Customer Retention -- A well-trained staff can increase the average check as well as enhancing the customer's overall experience. Word-of-mouth referral is very important in building a customer base.

**Pricing Strategy**

There are a total of 725 different vodkas available in Washington State, with an average price of $26.76 per liter. There are a total of 520 vodkas being offered in 750 ml bottles with an average case price of $100. The highest case price in this size category is $355 while the lowest case price is $24. There are also 29 vodkas being offered in 380 ml bottles with an average case price of $92. The highest case price in this size category is $180 while the lowest case price is $20.

*Source:* [*http://www.liq.wa.gov/LCBhomenet/StoreInformation/BrandSearch.aspx*](http://www.liq.wa.gov/LCBhomenet/StoreInformation/BrandSearch.aspx)

Vancouver Distillery Works will offer a 750 ml product for $362 per case, a private label 750 ml bottle for the price of $332 and a 375 ml product for $220 per case. This pricing structure will put Vancouver Distillery Works’ product within the median while competing in the premium market of spirits. Vancouver Distillery Works believes that this price range helps it avoid the strengths of its competitors, which would be their perceived super premium quality, while taking advantage of their weak points, which would be their higher cost.

**Marketing Channel Plan**

Vancouver Distillery Works will test three distribution channels during the first year of business:

* + 1. Direct- Vancouver Distillery Works will have a sales team that sells directly to customers that walk in to learn more about their products, and within the second year will have a tasting bar, that will further increase direct sells, as we can market these as events.
    2. Manufacturer’s Rep - Vancouver Distillery Works will have a sales team that sells directly to customers. Those customers being women in the target demographic, restaurants, pubs, bars and stores.
    3. Value-Added Reseller (VAR) - Vancouver Distillery Works will market the product to restaurants, pubs, bars and stores which will in turn market our product as their house brand, with their own labels on the bottle. Vancouver Distillery Works will also market the product to hotels with bars as their house brand.

Vancouver Distillery Works considers resellers such as restaurants, pubs, bars and stores to be their main channel of distribution for the product. This is due primarily to the fact that those customers already have resources and relationships to quickly bring the product to market. Vancouver Distillery Works considers it of utmost importance to understand this groups needs and to deliver a quality local product that will maximize revenue for all involved in the process.

Vancouver Distillery Works also believes that the target market can be best served through direct marketing between itself and the customer. Vancouver Distillery Works will work to develop a database of responses from the target demographic in order to acquire knowledge of “her” expectations, which will result in more effective targeting. Vancouver Distillery Works believes that through direct marketing, the company can measure the response to any offer in real time, which will also result in more effective targeting. This measurability allows us to test a variety of offers and media that will serve to enhance the marketing resources.

**SWOT Analysis**

Vancouver Distillery Works see’s its strengths as the ability to respond quickly to what the market dictates and to provide a premium craft distilled spirit to a growing market. In addition, through aggressive marketing and quality management we intend to become a well-respected and known entity in our respective industry. Below are the summarized strengths, weaknesses, opportunities and threats.

**Strengths**

* Distinctive bottle and label that helps the consumers to remember the product.
* New products can position themselves aggressively in the marketplace.
* Strategic market segmentation and implementation strategies.
* An aggressive and focused marketing campaign with clear goals and strategies.
* An ultra premium product that capitalizes on the current growing trend of craft spirits.

**Weaknesses**

* There is no history with the consumer.
* Lack of a reputation in comparison to our competitors.
* A limited financial base as a start-up in the industry.
* Channels of distribution not defined.

**Opportunities**

* New Flavors - Flavored vodkas attract the consumers.
* Changes in Washington State regulations related to distillers.
* Changes in social patterns, population profiles, lifestyle changes, etc.
* The market for pre-mixed drinks is well developed, and continues to do so at a rapid pace.
* Consumer preferences evolving, opportunity for a more sophisticated product.
* Specific niche – Women are a growing market for the Vodka industry.
* Diversifying market segments so there is no dependency on one particular market.

**Threats**

* The present growth in the market may result in market saturation, through competition.
* Flooding of new flavors.
* Increasing number of craft distilleries looking at penetrating the market.
* Existing competition such as established local craft distillers.

1. **Operations Section**

**Administration Plan**

(need info?)

**Strategy and Implementation**

Our basic plan is to create local distilled vodka using local ingredients and focus the product sales towards women using creative labels and marketing strategy. This is backed by research of market segments. The product is in the ultra premium market that is supported by local consumers. The bottle’s label will be the Washington state flower and a drink recipe.

The application for the appropriate Liquor License is in process and official operations will begin upon final approval of all licenses. This is a lengthy process and an expected date of approval is in August of 2012. Below is the list of required applications for Washington State:

Applications, Added Activities and Class Permits

* Temporary Pre-Approval Permit Acknowledgment Form
* Alteration Request
* Application for Added Endorsement/Fee Sheet
* Spirits/Beer/Wine Restaurant or Restricted/Not Serving the General Public
* Class Permits
* 4 (Serve employees or guests)
* 8 and 9 (Non-retail trade show alcohol service)
* 10 (Non-retail donation or liquor service without charge to an international trade fair, show, or exposition)
* Warehouse Registration

The list below shows the required applications for the Alcohol and Tobacco Tax and Trade Bureau:

* Information letter
* Questions & Answers
* TTB F 5000.8 Power of Attorney
* TTB F 5000.9 Personnel Questionnaire
* TTB F 5000.29 Environmental Information
* TTB F 5000.30 Supplemental Information on Water Quality Considerations
* TTB F 5100.1 Signing Authority for Corporate and LLC Officials
* TTB F 5100.24 Application for Basic Permit Under FAA Act
* TTB F 5110.41 Registration of Distilled Spirits Plant
* TTB F 5110.56 Distilled Spirits Bond
* Interest/Stockholders List Sample format: Reporting stock/share distributions
* National Historic Preservation Act
* SS-4 Application for Employer Identification Number
* Quarterly Excise Tax Payment Procedures
* Required: Source of Funds & Property Lease Information

Once the application process is completed and the recipe is finalized John will commence sales calls to local restaurants and hold tastings to introduce the spirit to market as well as ship cases to the Washington State Liquor board for distribution to local State run liquor stores. As awareness gains over the first year the management team will conduct all sales. Once the market share increases along with capacity a sales representative will be added to expand the products distribution to more of the state.

The current location is in East Vancouver in a low cost rental warehouse that is about 1000 square feet at $650.00 month and this will work for the first year as market share grows. Vancouver Distillery Works will move to a larger location downtown Vancouver for its Grand opening in year two. This move will allow for more tours, tastings, improved marketing, and for the larger equipment to increase brewing capacity to well over 5,000 cases a year. The reason for delaying the move until year two is the price per foot of rent in downtown is approximately twice the price so staying in the smaller place until the larger equipment is needed will save on operating costs.

**Technology Plan**

Current MSN Office programs are being used for initial startup. Use of Excel spreadsheets are being used to track all processes, batch profiles, recipe changes, inventory control, accounting, customer database. Once production is in full scale, an appropriate database will handle all business data. Due to current business practices and confidentiality laws all information will be stored onsite until a cloud-based location can be secured that meets all regulations. Owners are responsible to keep a daily backup of all data in an offsite secure location in case of disaster.

**Production Plan**

1. Initial batch distilling in current warehouse until final market share is gained.
   1. Small batches made and tested till final flavor profile is agreed upon
   2. Larger batches will be processed for initial tasting for community
   3. Regular production runs will happen on weekly basis, as increase in frequency will be based on market demand.
2. Ingredients to be selected and obtained from local suppliers
   1. Amount of product will be purchased in small amounts until recipe is decided.
   2. Once production begins the amounts of product will be purchased in larger amounts to reduce cost per bottle.
   3. All ingredients to be tested for quality prior to use
   4. As required by federal and state regulations all material that bought by distillery will be recorded upon receipt and tracked. The usage and waste of all materials will be accurately recorded, as the Craft Distillery Summery Tax Report-Form (LIQ-988) needs to be filed monthly. This report tracks all supplies used in the distillation process and calculates the amount of tax that needs to be remitted to the Washington State Liquor Board.
3. Sanitation is key to the consistency of product and will be done before and after all batches processed.
   1. Equipment to be inspected and cleaned, prior to each batch.
   2. Space cleaned including floors, walls, waste bins, and tools prior to every batch.
   3. Inspection of space and equipment by Master Distiller is to be conducted and logged prior to every batch.
4. Recipe is to be written down and followed precisely
   1. Careful weight and volume measurement to be used, scales to be calibrated before each batch and recorded for future comparing of batches.
5. Equipment in distillery
   1. Bottle Filler
   2. Pot Still with Vodka Tower
   3. Mash Pot
   4. Fermentation Tanks
   5. Pumps
   6. Steam boiler
   7. Still support equipment
   8. Blending/Bottling Tank
6. Master Distiller is to be present during operation of distilling process to maintain consistency and quality control.
   1. Oversee fermentation and distilling to monitor quality
   2. Blending and cutting to ensure accurate 80 proof and consistent taste profile
   3. Bottling to inspect all contents prior to packaging
7. Distillation and inventory to be documented per Federal regulations on all product
   1. Starting from day one
8. All future development of new products to be done with current equipment and then transferred to large batch equipment only upon finalization of recipes.
   1. Flavored Vodka’s to use only real ingredients in distilling and cutting of product.
   2. Monitored by Distiller
   3. New product promotion after tasting and reviewing of data.

**Licensing, Zoning and Legal Concerns**

All products are designed, manufactured and distributed in Vancouver, WA. The theme of Vancouver Distillery Works is to keep it local and unique matching the taste of aficionados. With the passing of Initiative 1183, distribution will be handled directly by staff to retailer and consumer. In case of 1183 being withdrawn contracts with channel distributors to be developed by owners to maintain profitability. Current location is to be used to develop the initial products then once accepted in the community a new location will be found to house full-scale equipment and public tastings.

**Licensing**

Licensing is in progress with local, state, and Federal as per requirements. Annual fees to be paid prior to new year and withheld from profits before all other expenses. *Amounts and licenses to be listed*

**Inventory**

Responsibility of inventory is to be controlled by owners and office manager. Amount of dry goods is to be established with owners. All tracking as per Federal regulation. Suppliers are yet to be determined, as quantity is not yet finalized. Would prefer contracted supplies to guaranty local products and quality. Credit policy is not in effect as all sales will be cash upfront until long term customers created and financial security from customers obtained. Future will bring possibility of extending credit.

**Management and Organization**

Manufacturing and warehouse site is located at:

12401 NE 60th Way Unit A7

Vancouver Washington, 98682

The owner’s contact information is:

John Bennett, CPA, MBA  
19215 SE 34th Street Ste 106-354  
Camas, Washington 98607  
Ph: 360.600.2660

Initial staff includes John and sons. Once plan is in effect additional personal to be added as needed including, office manager, sales reps, distilling staff, cleaning staff, bottlers, etc. *Will break out plan once confirmed with John.*

**MANAGEMENT TEAM GAPS**

*The only current management gap is the experience level of actual distilling. The current* Vancouver Distillery Works *owner is a successful entrepreneur including his current custom home business. The missing skill level is being developed currently and supplemented by fellow distillers and video training.*

1. **Finance Section**

**Financial Goals**

Vancouver Distillery Works is set to build upon a future of long term growth, rather then focus on short-term profits with the use of competitive pricing, and conservative or lean production methods. Our goal is to be completely self sufficient within 3 years of start up. Some of our short-term goals include purchasing new equipment (see graph 1 below) and moving into a new distillery by the start of the second year, we have included these costs in our total requested investment. In our first year we hope to be able to deliver approximately 877 cases of Flora Vodka with an estimated total Gross Profit of $210,975. It is our goal to make sure that we achieve a gross profit margin of 40% by the end of the third year. This shall provide us the means to pay off our liabilities, and provide us with the means to expanding into other markets.

**Start-Up Investment**

In order to ensure quick return on investment we are requesting a total of $170,000. This number is calculated with both our total startup costs of $113,000 and our first year’s expenses at $110,000. The current owner and his family plan to contribute 37% of the total startup costs, and would like to finance the additional costs of $170,000 through a bank loan with a small business interest rate around 7.50%.

|  |  |
| --- | --- |
| **Total 1st Year Capital Purchases** | $102,500.00 |
| **Total 2nd Year Capital Purchases** | $10,500.00 |
| **Total Capital Purchases** | **$113,000.00** |
| **Installation and Moving Expenses 2013** | $28,000.00 |
| **Total First year Investment** | **$141,000.00** |
| **First Year Expenses** | **$100,000.00** |
| **TOTAL INVESTMENT** | **$270,000.00** |

The following financial assessment has been researched thoroughly by our team, with the use of many network contacts within the distillery industry, and with some help from the American Distilleries Institute.

**Cost Assumptions**

Our current capital expenditures is based upon market prices of new equipment; however, initial review of the equipment available at this time has revealed that better options can be obtained by purchasing auctioned items at a reduced cost. When possible, we will purchase used, auction items in order to reduce costs. We require that any used items must be in good working order and provide at least 5 years, minimum, of utilization. This means that a large portion of our capital expenditure costs could be eliminated, and the additional funds will go into savings to help repay the loan quickly. We have also estimated our Cost of Goods sold in terms of what the client is using in terms of local materials that he is currently purchasing in small amounts. This means that as the production goes up in September, then the material costs will actually start to decrease as we purchase in bulk. This will allow for a greater percentage of revenue as the cost of goods sold reduces. Below we have provided an accurate depiction of what is necessary to achieve operation by September 1, 2012, as well as, included the installation and moving of our equipment to the new facility by September 1, 2013.

|  |  |  |  |
| --- | --- | --- | --- |
| **Capital Purchases** |  |  |  |
| **Item** | **Cost** | **Purchase Date** | |
| **Equipment** |  |  |  |
| Bottle Filler | $3,000 | Sep | 2012 |
| Forklift | $1,500 | Sep | 2012 |
| Pot Still with Vodka Tower | $20,000 | Sep | 2012 |
| Mash Pot | $18,000 | Sep | 2012 |
| Fermentation Tanks | $15,000 | Sep | 2012 |
| Fruit Press | $6,000 | Sep | 2012 |
| Pumps | $6,000 | Sep | 2012 |
| Steam boiler | $10,000 | Sep | 2012 |
| Still support equipment | $5,000 | Sep | 2012 |
| Blending/Bottling Tank | $18,000 | Sep | 2012 |
| **Computer Hardware/Software** |  |  |  |
| Office Computer | $1,000 | Sep | 2013 |
| Accounting System | $1,000 | Sep | 2013 |
| Inventory System | $1,000 | Sep | 2013 |
| **Telecommunications** |  |  |  |
| Office Line | $500 | Sep | 2013 |
| Internet Access | $500 | Sep | 2013 |
| Cell phone (3) | $500 | Sep | 2013 |
| **Tasting Room** |  |  |  |
| Construction of Tasting Room | $4,000 | Sep | 2013 |
| Retail Racks | $1,000 | Sep | 2013 |
| Small bar | $1,000 | Sep | 2013 |

**Sales Forecast**

We go into this knowing that we will have lean production methodology in the first year. Although the above equipment has the capacity to produce over 30,000 cases a year; we as a startup company cannot provide the financial means to meet this type of production. So due to the limitations set by our current business profile, and to maintain a small “family” business we feel we would like to limit our products for the first year. This not only reduces our costs, but allows us to grow as needed due to the expenses that come from increased inventory. In the distilling industry all bottles whether they are on the shelves at the store, or sitting in our warehouse are taxed the same rate, and if we were to make that 33,800 cases the first year and only sell our estimated 800 cases, we would be responsible for the \_\_% taxes on each bottle, and this is more then we could every hope to make as a startup. With these limitations in mind we have set our sales at a rate that we can grow upon and this way we can test out our markets, with the goal of doubling the amount of cases by the second year.

In terms of the three different product lines, we plan to have two different size bottles, a 750ml, and a 350ml, in hopes that the smaller bottle will allow the market a smaller price to taste and enjoy while allowing a larger bottle to grow into. We have priced our cases relative to other competitors in the premium vodka market. This means that with taxes and state markup our cases should be set at approximately $362 per case on the 750ml bottles, $332 on the private 750ml bottles, and $220 for the 350ml bottles. As the state actually sets the prices on liquor in the state of Washington these are estimates based upon the states calculations of taxes and fees per bottle. However, by reviewing the following graph- it shows that our gross sales steadily rise with a 3% growth rate each month for the first year.

**Income Statement**

|  |  |  |  |
| --- | --- | --- | --- |
| **Income Statements** | **2012** |  | **2016** |
|  | September | TOTAL |  |
| **INCOME** |  |  |  |
| Gross Sales | $19,162 | **$259,757** | **$813,330** |
| (Commissions) | $0 | **$0** | **$0** |
| (Returns and allowances) | $593 | **$8,034** | **$25,155** |
| **Net Sales** | **$18,569** | **$251,723** | **$788,175** |
| (Cost of Goods) | $3,564 | $48,781 | $160,976 |
| **GROSS PROFIT** | **$15,005** | **$202,942** | **$627,200** |
| **EXPENSES - General and Administrative** |  |  |  |
| Salaries and wages | $4,887 | $58,640 | $95,693 |
| Payroll taxes | $733 | $8,796 | $14,354 |
| Professional services | $42 | $500 | $1,100 |
| Marketing and advertising | $1,344 | $7,481 | $17,730 |
| Rent | $650 | $7,800 | $12,000 |
| Maintenance | $100 | $1,200 | $1,200 |
| Depreciation | $617 | $7,400 | $8,140 |
| Insurance | $250 | $3,000 | $3,000 |
| Telephone service | $165 | $1,980 | $1,980 |
| Utilities | $50 | $600 | $4,000 |
| Office supplies | $10 | $120 | $240 |
| Postage and shipping | $25 | $300 | $600 |
| Travel | $15 | $180 | $360 |
| Entertainment | $15 | $180 | $360 |
| Interest on loans | $1,063 | $11,763 | $1,613 |
| **TOTAL EXPENSES** | **$9,965** | **$109,940** | **$162,371** |
| Net income before taxes | $5,041 | $93,002 | $464,829 |
| Provision for taxes on income | $8,808 | $119,436 | $390,899 |
| **NET PROFIT** | **-$3,767** | **-$26,435** | **$73,930** |

Our cost of admin and overhead is about 42%, and our Cost of Goods is 19% of sales. This means that we could be making a total of 35-40% net profit each year. Marketing, Rent and Salaries make up the biggest percentages of our expenses. The salary estimates are for 2 contract based employees that include a full time distiller and an administrative assistant that will work ¼ time for the first year, with the hope of hiring them on by the third year full time. The management team will not be taking any portion of the profits until the loan is paid off, and there is a good working capital base that will allow for future growth within the business.

**Cash Flow**

Although we have a negative net profit going into the second year, with the initial investments we have been able to make sure that our company’s cash flow remains positive, as cash is the lifeblood of any organization. Currently we have a projected growth rate of 64% in cash flow per year, and this should hopefully allow for the initial investment to be paid off earlier then the 4 years through the reinvestment of profits.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Sep-12** | **Sep-13** | **Sep-14** | **Sep-15** | **Sep-16** |
| **With Loan** | $247,475 | $389,872 | $633,810 | $1,009,492 | $1,472,139 |
| **Without Loan** | $77,475 | $219,872 | $463,810 | $839,492 | $1,302,139 |

**Balance Sheet**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Balance Sheet** | 2012 | 2013 | 2014 | 2015 | 2016 |
| Total Assets | $380,885 | $482,702 | $715,646 | $1,084,190 | $1,524,331 |
| Total Current Liabilities | $109,510 | $334,340 | $591,163 | $942,172 | $1,293,807 |
| Total Long-Term Liabilities | $109,510 | $75,700 | $39,264 | $0 | $0 |
| Total Net Worth | $80,564 | $72,663 | $85,219 | $142,018 | $230,523 |
| Total Liabilities and Net Worth | $340,885 | $482,702 | $715,646 | $1,084,190 | $1,524,331 |

As you can see our long term liabilities being paid off by the end of the 4th year will allow a generous spike to our net worth in the 5th year. We truly expect to be able to meet our financial obligations in a timely manner, and hopefully sooner then the 4 allotted years. We have also planned for our expansion in 2013 within our initial funding, which means we have no need for any further financing in the immediate future.

**Business Ratios**

The following chart shows some of the key ratios for the business over the first five years. As you can see our return on investment starts out slow but by the 2nd Year we jump into the 200% or more range. Our current and quick ratios are always over 1, and our debt to equity ratio lowers dramatically each year.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Key Ratios** |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| **Year 1 (2012-2013)** | **Working Capital** | **Current Ratio** | **Quick Ratio** | **Cash Turnover** | **Debt to Equity** | **Return on Investment** | **Return on Sales** | **Return on Assets** |
| 1st Quarter | $128,298 | 3.26 | 3.27 | 0.44 | 1.99 | 18% | 31% | 6% |
| 2nd Quarter | $116,434 | 2.35 | 2.36 | 0.52 | 2.36 | 25% | 37% | 7% |
| 3rd Quarter | $105,121 | 1.90 | 1.91 | 0.62 | 2.78 | 30% | 38% | 8% |
| 4th Quarter | $94,974 | 1.63 | 1.64 | 0.73 | 3.23 | 35% | 41% | 8% |
|  |  |  |  |  |  |  |  |  |
| **Year 2 (2013-2014)** | $51,152 | 1.15 | 1.17 | 7.35 | 5.64 | 234% | 45% | 35% |
|  |  |  |  |  |  |  |  |  |
| **Year 3 (2014-2015)** | $35,663 | 1.06 | 1.07 | 14.56 | 7.40 | 307% | 50% | 37% |
|  |  |  |  |  |  |  |  |  |
| **Year 4 (2015-2016)** | $61,338 | 1.07 | 1.07 | 11.22 | 6.63 | 279% | 58% | 37% |
|  |  |  |  |  |  |  |  |  |
| **Year 5 (2016-2017)** | $157,983 | 1.12 | 1.14 | 4.99 | 5.61 | 202% | 59% | 30% |

*\*I need to* – compare against industry on these!

**Break Even Analysis**

|  |  |
| --- | --- |
| **Break-even Estimates** |  |
|  |  |
| **Year 1** |  |
| Fixed Expenses | $109,939.69 |
| Gross Profit Margin % | 24% |
| **Break Even** | $457,375.25 |
| **Year 2** |  |
| Fixed Expenses | $134,147.46 |
| Gross Profit Margin % | 24% |
| **Break Even** | $567,736.98 |
| **Year 3** |  |
| Fixed Expenses | $159,013.20 |
| Gross Profit Margin % | 24% |
| **Break Even** | $676,330.29 |
| **Year 4** |  |
| Fixed Expenses | $160,533.95 |
| Gross Profit Margin % | 24% |
| **Break Even** | $681,061.15 |
| **Year 5** |  |
| Fixed Expenses | $162,370.78 |
| Gross Profit Margin % | 26% |
| **Break Even** | $632,635.60 |

**Valuation after 5 years**

Working on.

**Exit Plan**

Although we feel we can meet our goals in terms of liability and financial goes, we know that anything can happen in a growing market and in our current economic standings. Our long-term goals are to keep this business within the family, allowing it to grow through consumer and market demand. As this is a family held LLC, if the current CEO chooses to leave the business, it will be handed off to either of the current participating family members. However, should the distillery fail to meet its liability and financial goals after 5 years, we will consider selling to a private buyer, or allow acquisition from another company as long as we can find one that will assume all outstanding debts.

1. **Appendix/References**

**References**

*Source: Distilled Spirits Council, Economic & Strategic Analysis Dept.*

*Source: Tan Vinh,* [http://seattletimes.nwsource.com/html/outdoors/2008004461\_nwwdistillers190.html](%22http)

*Source. http://washingtonregulatorylaw.wordpress.com/2010/03/15/changes-to-craft-distillery-provisions/*

*Source. WSLCB.* [*http://liq.wa.gov/publications/rules/OTS-4517%203final.pdf*](http://liq.wa.gov/publications/rules/OTS-4517%203final.pdf)

*Source: National Restaurant Association:* [*http://www.restaurant.org/research/economy/rpi/*](http://www.restaurant.org/research/economy/rpi/)

Source: US Census Bureau:. (http://quickfacts.census.gov/qfd/states/41/4159000.html).

*Source:* [*http://gis.clark.wa.gov/gishome/*](http://gis.clark.wa.gov/gishome/)

*Source:* [*http://www.liq.wa.gov/LCBhomenet/StoreInformation/BrandSearch.aspx*](http://www.liq.wa.gov/LCBhomenet/StoreInformation/BrandSearch.aspx)

*Source: Burningham, Lucy. http://www.oregonbusiness.com/articles/89-august-2010/3840-shaken-and-stirred?start=3*

**Appendix A.**

The Revised Code of Washington

RCW 66.24.145

Craft distillery — Sales and samples of spirits.

Source. WSLCB. <http://liq.wa.gov/publications/rules/OTS-4517%203final.pdf>

**Appendix B.**

Vodkas in Washington State

Source: <http://www.liq.wa.gov/LCBhomenet/StoreInformation/BrandSearch.aspx>